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June 5, 2002

VIA FACSIMILE & U.S. MAIL

Mr. Tim Leiweke, President
Anschutz Entertainment Group
1100 South Flower, Ste. 3100
Los Angeles, CA 90015 Fax:
(213) 742-7291

Dear Mr. Leiweke:

Re: San Diego Chargers/City of San Diego

The City of San Diego has become aware, through reports in the press, that Anschutz Entertainment Group [AEG] may have contacted the San Diego Chargers about a possible relocation to a new stadium that AEG is proposing to build in Los Angeles. The City is concerned that overtures to the Chargers to relocate to another venue may have a material adverse impact on the City and its contractual rights and obligations under the Use and Occupancy Agreement [Agreement] between the City and the Chargers for the use of Qualcomm Stadium in San Diego. The purpose of this letter is to inform you of the pertinent provisions of the Agreement so that you will have knowledge of the City's existing contractual relationship with the Chargers when deciding how to conduct your business affairs concerning the proposed Los Angeles stadium. You should also be aware of the City's opportunity to work with the Chargers pursuant to the terms of the Agreement to stay in San Diego. Copies of the relevant Agreement provisions are included for your reference.

You may know that the City invested approximately \$78 million in Qualcomm Stadium improvements in 1997, and that the Agreement extends through 2020. Pursuant to Section 31 of the Agreement, the Chargers may only pursue certain renegotiation rights if a defined "triggering event" exists on December 1 of any one year within defined three year periods. The Chargers have 60 calendar days following such December 1 date to notify the City that the triggering event occurred. The Chargers and the City must negotiate in good faith for a period of 90 days following the delivery of the notice, in an attempt to reach agreement on an amendment of the Agreement to address the impact of the triggering event. If the negotiations are unsuccessful, the Chargers may present to the City any time within 180 days after the expiration of the 90 day

negotiating period a letter of intent for the use of another stadium. The City has 90 days following the presentation of the letter of intent to agree to match the financial and overall economic terms set forth in the letter of intent; in essence the City retains a right of first refusal to match any offer presented to the Chargers.

The Chargers did not deliver to the City the required notice of the triggering event between December 1, 2001, and January 29, 2002, and may not do so again until December 1, 2002.

In addition, pursuant to Section 7 of the Agreement, the Chargers must use its best efforts to ensure the maximum occupancy of the stadium. Finally, pursuant to Section 9 of the Agreement, the City has guaranteed to the Chargers ticket sales of 60,000 seats per game.

Irrespective of any discussions between AEG and other National Football League teams, and irrespective of the Chargers' position on discussions with AEG at this time, San Diego is concerned that overtures to the Chargers, which have received significant publicity in San Diego, will depress ticket sales to Chargers' games at Qualcomm Stadium thus having an impact on the Chargers' ability to maximize attendance at the stadium. That circumstance may thus have a material adverse impact on the City's attendance guarantee. Also, as you know San Diego is hosting the 2003 Super Bowl and the City is concerned that the controversy surrounding the Los Angeles situation, and reported overtures to the Chargers regarding a relocation to Los Angeles, will detract significantly from that event.

The City trusts that AEG will conduct its business affairs in Los Angeles without interfering with the contractual rights and obligations of the City and the Chargers under the Agreement.

Leslie J. Girard

Sincerely yours,

Assistant City Attorney

CASEY GWINN, City Attorney

By 

LJG:ljk:je

Enclosures

cc: San Diego Chargers National
Football League The
Anschutz Corporation

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**1995 AGREEMENT FOR PARTIAL USE AND
OCCUPANCY OF SAN DIEGO JACK MURPHY STADIUM**

. between

CHARGERS FOOTBALL COMPANY, a California limited partnership

and

THE CITY OF SAN DIEGO, a municipal corporation

DATED: as of ID, 1995

DOCUMENT NO. 00-18132-2
MAY 30 1995

7. Charters' Covenants.

(a) **Home Games.** Except as otherwise provided in this Agreement, during the term of this Agreement, the Chargers shall play all of its Home Games (other than Pre-Season Games and other games agreed to by the parties hereto) at the Stadium Premises in accordance with NFL rules, and shall use its best efforts to play a minimum of ten (10) Home Games at the Stadium Premises during each year of the term hereof. All games shall be played by the Chargers under the name "San Diego Chargers" (which name it is agreed possesses commercial value as good will and has a particular value to the City) or under any other name as may be approved *by the* City in advance in writing. The Chargers shall use its best efforts to ensure the maximum occupancy of the Stadium Premises by the public.

(b) **Franc.** At all times during the term of this Agreement, the Chargers shall maintain (i) its Franchise and membership in the NFL in good standing, (iii) any and all rights and Franchises to play football in the City of San Diego in accordance with the NFL rules, and will not do or suffer anything to be done which will cause such right and Franchise to be^g lost or impaired or diminished in any respect or (except as otherwise expressly provided herein) transferred to any other city or location and (iii) an NFL football team. *of the character* and standing required by the NFL rules for the conduct of professional football.

(c) **No Transfer.** The Chargers shall not assign or otherwise transfer its rights or any portion thereof under this Agreement unless (i) the assignee or transferee shall assume the obligations of the Chargers under this

Agreement, (ii) the assignee or transferee shall agree in writing to be bound by all of the terms, covenants and conditions herein contained on the part of the Chargers with like force and effect as though such assignee or transferee had been originally named hereunder, and (iii) the NFL shall have agreed to such assignment or. transfer. For purposes of this Section 7(c), the Chargers shall be deemed to include any of the individuals comprising said entity.

8. Consideration.

(a) Gross Income. Commencing with the 1997 Pre-Season and thereafter throughout the term of this Agreement, the Chargers shall receive all Gross Income for each Home Game played by the Chargers at the Stadium Premises.

(b) payments to the City. For each Home Game played during the term of this Agreement, the Chargers shall pay the following, as consideration to the City for and on account of the *Chargers' use* and occupancy of the Stadium Premises hereunder:

(i) during the 1995 and 1996 Pre-Seasons and Regular Football Seasons, an amount equal to the consideration due under Section 6 of the Prior Occupancy Agreement (provided, however, that any Gross Income received by or on behalf of the Chargers prior to the 1997 Pre-Season but which is attributable to the 1997 Pre-Season or any period thereafter, subparagraph (ii) below shall apply with respect to such Gross Income); and.

(d) Existing Facilities Agreements and Charters Facilities Prior to the date on which the Chargers take possession of the Chargers' Facilities, all of the Chargers' rights and obligations under the Existing Facilities Agreements shall remain in full force and effect. On the date on which the Chargers take possession of the Chargers' Facilities, the Existing Facilities Agreements shall terminate and be of no further force or effect, the Chargers shall have no obligations thereunder after such termination and the Chargers shall occupy the Chargers' Facilities rent free in accordance with the Facilities Occupancy Agreement.

(e) Old Skybox Agreement and 1995 Skybox Agreement. Prior to the commencement of the 1997 Pre-Season, all of Associates' rights and obligations under *the Old Skybox Agreement* shall remain in full force and effect. Commencing on the *date on* which the 1997 Pre-Season commences and thereafter throughout the term of this Agreement, the Old Skybox Agreement shall be of no further force or effect and Associates shall have the right to use and occupy the Skyboxes rent free in accordance with the 1995 Skybox Agreement.

9. City Guaranty.

(a) . If, with respect to any of the first ten (10) full Pre-Seasons and *Regular* Football Seasons during the term of this Agreement commencing with the first full Pre-Season following the Construction Completion Date (which period is hereinafter referred to as the "Period"), the paid attendance for full price general admission seats to any such Home Games (excluding all Skybox seats, club seats and one thousand (1,000) promotional seats, but including any other general admission seats sold at a

discount by the Chargers) (the "Qualified Paid Attendance") does not exceed sixty thousand (60,000) per Home Game (any such shortfall being hereinafter referred to as an "Attendance Shortfall"), then on or before the thirtieth (30th) Business Day following any Home Game in which an Attendance Shortfall occurs the City shall either (i) pay to the Chargers an amount equal to the full face-ticket price of each general admission seat multiplied by such Attendance Shortfall (the "Attendance Shortfall Amount"), or (ii) grant the Chargers a credit in an amount equal to the Attendance Shortfall Amount against the consideration to be paid by the Chargers to the City for such Home Game under Section 8(b) hereof.

(b) 1d of Season Reconciliation. Within thirty (30) calendar days following the end of each Regular Football Season during the Guaranty Period, *the parties hereto shall make an adjustment in the total payments or credits made by the City to the Chargers pursuant to Section 9(a) hereof to reflect the actual average Qualified Paid Attendance for such season.* The amount of such adjustment shall be calculated as follows (and as shown in the example attached hereto as Exhibit F):

(i) multiply sixty thousand (60,000) by the number of guaranteed Home Games during such season to obtain the "Total Guaranteed Attendance" for such season;

(ii) *subtract the total Qualified Paid Attendance for all guaranteed Home Games. during such season from the Total Guaranteed Attendance to obtain the "Actual Attendance*
Sam" *for such season;*

(iii) subtract the Actual Attendance Shortfall for such season from the Attendance Shortfall for each guaranteed Home Game during such season to obtain the "Attendance Shortfall Differential" for such season; and

(iv) multiply the Attendance Shortfall Differential for such season by the full face-ticket price of each general admission seat for such season to obtain the amount, if any, to be paid by the Chargers to the City in accordance with this Section 9(b).

(c) Excluded Games. In the event that any Home Game occurring during the Guaranty Period cannot be played as a result of (i) a matter affecting the Chargers or the NFL and not caused by the City, (ii) any damage or destruction to the Stadium or (iii) an act of God, war, insurrection or riot, then any such Home Games (referred to herein as "Excluded Games") shall not be subject to the City's guaranty in Section 9(a) hereof; provided, however, the Guaranty Period *shall be* extended by the number of Home Games equal to the number of Excluded Games.

(d) San Diego International Sports Council. The Chargers acknowledge that the City shall seek the assistance of *the* San Diego International Sports Council in fulfilling its obligations under Section 9(a) hereof; however, the obligations under this Section 9(a) shall ultimately be the City's.

With a copy to: Skadden, Arps, Slate, Meagher & Flom 300
 South Grand Avenue, 34th Floor Los
 Angeles, California 90071 Attention:
 Richard S. Volpert, Esq,

31. Renegotiation Rights.

(a) Definitions. For the purposes of this Section 31, the following terms shall have the following meanings:

"Defined Gross Revenues" shall mean the aggregate revenues received or to be received on 'an accrual basis, for or with respect to any "League Year" (as such term is defined in Article I, Section 1 of the 1993 CBA), during the term of this Agreement by the NFL and all NFL Teams (and their designees), from the following sources only: (i) regular season, pre-season, and post-season gate receipts (net of admission taxes, and surcharges paid to a stadium or municipal authorities which are deducted for purposes of calculating gate receipts subject to revenue sharing), including ticket revenue from "luxury boxes," suites and premium seating subject to gate receipt sharing among NFL Teams; and (ii) proceeds from the sale, license, or other conveyance of the right to broadcast or exhibit NFL pre-season, regular season, and play-off games on network and national cable television (which by way of example only, would currently include all revenues generated from NFL television contracts with FOX, NBC, ABC, TNT and ESPN). For the purposes of this Agreement only, Defined Gross Revenues does not include any proceeds from the sale, license, or conveyance of the right to broadcast or exhibit NFL pre-season, regular season, and play-off games to and on any other source, including, without limitation, local television, pay'

television, satellite encryption, international broadcasts, radio, or any other means of distribution.

"Team Salary Cap" shall mean for *any* year, on a cash basis, seventy-five percent (75%) of Defined Gross Revenues for such year, divided by the number of teams playing in the NFL during such year.

"Triggering Event" shall occur, if on December 1 of any Triggering Year, the sum of the following items exceeds *the* Team Salary Cap (as defined herein) for the year in question: (i) the actual "Team Salary" (as such term is defined in Article XXIV, Section 6 of the 1993 CBA, except as calculated on a cash basis) of the Chargers for such year, plus (ii) the total actual benefit payments provided by the Chargers to its players for such year, plus (iii) the total actual benefit payments provided by the NFL to the. Chargers' players for such year.

"Triggering Year" shall mean any one year between January 1, 2000 and December 31, 2002, any *one* year between January 1, 2003 and December 31, 2006, any *one* year between January 1, 2007 and December 31, 2010, any one year between January 1, 2011 and December 31, 2014 and any one year between January 1, 2015 and December 31, 2018.

(b) **Triggering Events.** If a Triggering Event occurs in any Triggering Year, then the Chargers shall have the *right* to renegotiate the *terms* of this Agreement as follows:

. - (i) Renegotiation Notice. On or before the sixtieth (60th) calendar day following the occurrence of any Triggering Event or, in the event that such Triggering Event occurs in any year prior to 2001, on or before the sixtieth (60th) calendar day following December 1, 2001; the Chargers shall deliver written notice thereof (the "Renegotiation Notice") to the City. If the Chargers fail to deliver a Renegotiation Notice to the City within such sixty (60) calendar day period, the Chargers shall be deemed to have waived its right to renegotiate the terms of this Agreement for that Triggering Year only and such failure shall not be deemed to waive the Chargers' right to renegotiate the terms of this Agreement should a Triggering Event occur in any subsequent Triggering Year.

(ii) Negotiations. Upon the delivery of a Renegotiation Notice, the parties hereto shall negotiate in good faith' for ninety (90) calendar days to agree upon mutually acceptable terms for an amendment to this Agreement to offset the impact on *the* Chargers of the Triggering Event; provided, however, that neither party shall be precluded from conducting negotiations with third parties during such ninety (90) day period. If the parties hereto reach an agreement within such ninety (90) day period, they shall execute and deliver an, amendment hereto immediately after reaching such agreement and in any event not later than ten (10) Business Days after the end of such ninety (90) *day* period. If the parties do not reach an agreement within such ninety (90) day period, then subparagraph (iii) below shall apply.

(iii) City's Right of First Refusal. If, within the eighteen (18) month period following the end of the ninety (90) calendar day negotiation period provided for in subparagraph (ii) above, the Chargers execute a letter of intent providing for the Chargers' use of another stadium with any third party, the Chargers shall offer the City a ninety (90) calendar day period after the execution of such letter of intent within which to execute an amendment hereto which matches the financial and overall economic terms of the proposed third party transaction as **set** forth in such letter of intent. If the City does not execute such **an amendment within such ninety (90) calendar day period, the Chargers may terminate this Agreement at any time within sixty (60) calendar days thereafter (the "Termination Date,") by giving** to the City written notice of such termination **at least** ten (10) calendar days prior to **the Termination Date and making, as of the Termination Date, the payment or the delivery of Federal Securities described** below in this subparagraph (iii). **In the event such notice** is not given or such **payment or delivery is not made, this Agreement shall continue in full force and effect. In the event the Chargers terminate this Agreement in accordance with this subparagraph (iii), it shall. pay to the City, on the Termination Date, an amount equal to sixty percent (60%) of the amount in dollars necessary to pay or redeem all of then** outstanding debt incurred to finance construction of the Improvements **(including any debt incurred to refund any such debt, but excluding any transaction costs relating to such refunding debt) on** the earliest date or dates after the Termination Date that **at least sixty percent (60%) of such debt may be paid or redeemed. In lieu** of such payment, the Chargers may deliver Federal Securities to the City, which

are not subject to redemption prior to their maturity, the interest on and principal of which when paid will provide money which, as verified by an independent consultant reasonably acceptable to the City, shall be sufficient to pay when due the interest to become due on such sixty percent (60%) of such debt from and including the Termination Date to and including the earliest date or dates on which such sixty percent (60%) of such debt may be paid or redeemed as well as sixty percent (60%) of the principal thereof and any redemption premium thereon, less, in either case, the sum of (1) sixty percent (60%) of the amount in any debt reserve fund on the Termination Date which may be used for *the* payment or redemption of such debt, (2) sixty percent (60%) of any amounts on deposit on *the* Termination Date in *the Stadium* Improvement Fund and (3) sixty percent (60%) of the unamortized (on a straight line basis over *the term of the* Improvement debt) reasonable actual costs incurred by *the* City in connection with the issuance of such debt which were not reimbursed out of the proceeds of such debt.

Notwithstanding *the* exercise of *the* Chargers' rights under *this* Section 31 prior to 2003, the effective date of any termination of this Agreement as a result of a Triggering Event shall not occur prior *to* February 1, 2004.

32. Construction of *this* Agreement.

(a) California Law. This Agreement shall be deemed to be made and shall be construed in accordance with the laws of the State of California. The City and the Chargers covenant and agree to submit to the personal

COPY

**SUPPLEMENT NUMBER ONE TO THE
1995 AGREEMENT FOR PARTIAL USE AND OCCUPANCY
OF SAN DIEGO JACK MURPHY STADIUM**

between

**CHARGERS FOOTBALL COMPANY,
a California limited partnership**

and

**THE CITY OF SAN DIEGO,
a municipal corporation**

DATED: as of April 7, 1997

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~~OFFICE OF THE CITY CLERK~~
SAN DIEGO, CALIFORNIA

mises as its home stadium during any year during the term of this Agreement, then the Chargers shall receive an amount equal to seventy-five percent (75%) and the City shall receive an amount equal to twenty-five percent (25%) of the Net Signage Revenue; or

(2) if the Padres or any other Major League Baseball Team occupies the Stadium Premises as its home stadium during any year during the term of this Agreement, then the Chargers shall receive an amount equal to the greater of (I) thirty-seven and one-half percent (37.5%) of Net Signage Revenues or (II) the percentage of Net Signage Revenues to be paid to the Padres or such Major League Baseball Team, and the City shall receive the balance of the Net Signage Revenues.

1.21 City's Right of First Refusal. Section 31(b)(iii) of the Agreement is hereby deleted and replaced with the following:

If, within the eighteen (18) month period following the end of the ninety (90) calendar day negotiation period provided for in subparagraph 31(b)(ii) above, the Chargers execute a letter of intent providing for the Chargers' use of another stadium with any third party, the Chargers shall offer the City a ninety (90) calendar day period after the execution of such letter of intent within which to execute an amendment hereto which matches the financial and overall economic terms of the proposed third party transaction as set forth in such letter of intent. If the City does not execute such an amendment within ninety (90) calendar day period, the Chargers may terminate this Agreement at any time within sixty (60) calendar days thereafter (the "Termination Date") by giving to the City written notice of such termination at least ten (10) calendar days prior to the Termination Date and making, as of the Termination Date, the payment of the delivery of Federal Securities described below in this subparagraph 31(b)(iii). In the event such notice is not given or such payment or delivery is not made, this Agreement shall continue in full force and effect. In the event the Chargers terminate this Agreement in accordance with this subparagraph 31(b)(iii), it shall pay to the City, on the Termination Date, an amount equal to sixty percent (60%) of the amount in dollars

as necessary to pay or redeem all of then outstanding debts incurred to finance construction of the Improvements (including any debts incurred to refund any such debt, but excluding any transaction costs relating to such refunding debt) on the earliest date or dates after the Termination Date that at least sixty percent (60%) of such debt may be-paid or redeemed. In lieu of such payment, the Chargers may deliver Federal Securities to the City, which are not subject to redemption prior to their majority, the interest on and principal of which when paid will provide money, which as verified by an independent consultant reasonably acceptable to the City, shall be sufficient to pay when due the interest to become due on each sixty percent (60%) of such debt from and including the Termination Date to and including the earliest date or dates on which any sixty percent (60%) of such debt may be paid or redeemed as well as sixty percent (60%) of the principal thereof and any redemption premium thereon, less in either case, the sum of (1) sixty percent (60%) of the amount in any debt reserve fund on the Termination Date which may be used for the payment or redemption of such debt, (2) sixty percent (60%) of any amount paid to the City pursuant to subparagraphs 8(b)(i), 8(b)(ii), 8(b)(iii), 8(b)(iv) and 11(e) (the parties acknowledge the provisions of subparagraph 11(e) apply only to the fifteen percent (15%) increase in consideration paid by Service America to the City pursuant to the 1995 concession agreement with Service America, Inc. a copy of which is on file in the office of the City Clerk as Document No. 00-18227-1); and (3) sixty percent (60%) of the unamortized (on a straight line basis over the term of the Improvement debt) reasonable actual costs incurred by the City in connection with the issuance of such debt which were not reimbursed out of the proceeds of such debt.

1.22 Deletion of Section 39. Section 39 of the Agreement is hereby deleted. The parties acknowledge that the NFL has approved the Chary-ers' application for a "premium waiver" under Section 19.1(A)(3) of the Constitution and Bylaws of the NFL.

1.23 Exhibits A and B. Exhibits A and B to the Agreement are hereby deleted and replaced with Exhibits A and B attached hereto.

EXHIBIT A. DESCRIPTION OF IMPROVEMENTS

EXPANDED SEATING CAPACITIES IN FOOTBALL CONFIGURATION

- Purpose: To increase the seating capacity of the field, plaza, loge, press/suite and upper levels of the Stadium Premises.
- Description: • Construct new seating to increase seating capacity to approximately 71,400 seats.

EAST END ZONE IMPROVEMENTS

- Purpose: To increase the seating capacity of the Stadium.
- Description • Demolition of extended plaza seating and existing loge level seating and suites.
- Relocation of 1 tri-vision sign and 1 billboard sign and installation of 2 new tri-vision signs.
 - Reconstruction of loge level seating and concourse and press level and upper level seating and concourse.
 - New ramps.
 - 2 new elevators.
 - All new seats added to the Stadium shall have cupholders.

CLUB SEATING

- Purpose: To establish a new type of upscale seating that is in between a general admission and a luxury box seat in price and the service provided. The 7,800 club seats will be state of the art and substantially similar to the Comparison Stadiums.
- Description: • North and South sidelines.
- Clearing level of existing offices.
 - Construction of club lounge with upscale amenities.
 - Introducing vomitories.